

**Division of Securities**Fred J. Joseph
Securities Commissioner

John W. Hickenlooper Governor Barbara J. Kelley Executive Director

September 11, 2013

Nathan S. Merrill, Esq. Goodspeed Merrill & Benson 7000 E. Bellview Ave., Suite 355 Greenwood Village, CO 80111

> RE: Baceline Investments, LLC Our File No. B-14-001

Dear Mr. Merrill:

The staff of the Division of Securities ("Staff") is in receipt of your letter dated July 29, 2013, and a filing fee received on August 8, 2013, regarding your request for a discretionary order of exemption from the licensing requirements of the Colorado Securities Act ("Act") for investment advisers on behalf of your client, Baceline Investment, LLC ("Baceline").

As you represent the facts, Baceline is a Colorado limited liability company which manages directly, or through one of its fund managers, several investor funds ("Funds") that invest in real property. Each Fund makes a private placement of membership interests to accredited investors in compliance with Rule 506 of Regulation D of the Securities Act of 1933. The purpose of the Funds is to provide investors with an opportunity to invest in commercial properties that are controlled and managed by Baceline. Each Fund uses the invested capital to purchase and own directly or beneficially commercial real property that is either specifically identified to investors in advance or meets specific criteria set forth in the Fund offering documents. Invested capital or "profit" dollars may be temporarily placed in money market or highly liquid investment-grade bonds or similar investments in anticipation of investment or distribution. The returns for such short-term investments are not considered part of the Fund's overall investment and return profile.

Baceline, on behalf of each Fund, determines which properties will be acquired by the Fund in accordance with the Fund's disclosed investment purpose and objectives. A Fund typically holds the property in its portfolio through special purpose entities ("SPEs") formed for the sole purpose of acquiring, owning and managing individual properties. When a Fund owns property through a SPE, the Fund Manager acts as the



manager to the SPE and operates and manages the property. The Fund enters into an operating agreement as a member of the SPE pursuant to which it owns securities issued by the SPE. Two or more Funds may jointly hold the securities of a single SPE if the target property meets each Fund's disclosed investment objectives. The SPE's are typically single member LLC's and are disregarded entities for federal tax purposes.

You further represent that an investor in a Baceline Fund is not allowed any discretion regarding the direction of allocation of their invested funds to one or more Fund properties to the exclusion of others. Further, the Fund Manager cannot specifically allocate investor funds to one or more Fund properties to the exclusion of others. Baceline markets its Funds directly to investors, and does not advise investors on the prudence of purchasing interests in any Fund. Baceline, its principals, and its affiliates do not advertise or hold themselves out as provider of investment advisory services. Accordingly, none of the Fund investors receive, or are charged any fees for, investment advice by Baceline. Baceline provides various accounting, administrative and other services to the Funds and is compensated at market rate for those services. Investors returns are based on the performance of the real estate held by the Fund. The Fund Managers are only compensated based on the Fund's property performance, and only after a positive return is paid to investors.

Neither Baceline nor its affiliated persons or entities is subject to any statutory disqualification from licensing as an investment adviser or as an investment adviser representative under the Investment Adviser Act of 1940, or under the Colorado Securities Act.

You have requested an Order exempting Baceline from the investment adviser licensing provisions under the Colorado Securities Act, or in the alternative, a formal opinion of the non-applicability to Baceline of the Act's requirement of licensing of investment advisers.

While the Staff is unwilling to recommend a discretionary exemption, and can not confirm the non-applicability of the Act, in light of the facts as represented in your letter, the Staff will not recommend that formal enforcement proceeding be initiated against Baceline, or its respective officers, directors, control persons, affiliates, or employees for violation of the licensing provisions of the Act for investment advisers and investment adviser representatives.

It should be noted that by this letter, the Staff only expresses its position as to formal enforcement actions, and does not purport to express any legal opinion or conclusion on the questions presented. Also, it should be noted that the position taken is done so based on the facts as presented, and any change in those facts or circumstances described might require a different response. If there are any questions, please feel free to contact the undersigned at (303) 894-2320.

Sircerely,

Gerald Rome

Deputy Securities Commissioner